

BRONSON HOUSING COMMISSION
BRONSON, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Bronson Housing Commission	County Branch
Fiscal Year End June 30, 2006	Opinion Date January 17, 2007	Date Audit Report Submitted to State February 25, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

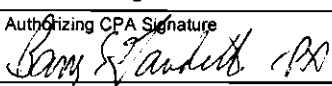
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Report on Internal Control and Compliance	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 1107 E. Eighth Street		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Bronson Housing Commission
Bronson, Michigan

I have audited the accompanying financial statements of the business-type activities of the Bronson Housing Commission, Michigan, a component unit of the City of Bronson, as of and for the year ended June 30, 2006, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Bronson Housing Commission, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bronson Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated January 17, 2007, on my consideration of Bronson Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be in considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on page 3 through 5, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that comprise Bronson Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Barry E. Audette, CPA

January 17, 2007

BRONSON HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
June 30, 2006
=====

The Management Discussion and Analysis (MD & A) presents a narrative overview and analysis of the financial activities of the Bronson Housing Commission (BHC) for the year ending June 30, 2006. The MD & A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements as a whole.

In fiscal year 2005/2006 the Bronson Housing Commission did not spend any money on building improvements. It was the intention of the BHC to use 2006 Capital Fund Monies to replace the windows at Pleasant Homes. However, due to the lateness of the 2006 CFP monies, those improvements have not yet been realized.

The Bronson Housing Commission solely administrates the HUD federally subsidized Public Housing Program for the City of Bronson. BHC relies on the annual subsidy and Capital Fund Program monies it receives from HUD as well as rents and other minor income sources such as interest and laundry facilities to sustain itself. Following is a synopsis of our financial situation.

	Net Assets		
	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Current assets	\$ 269,291	\$ 303,838	\$ (34,547)
Capital assets	<u>1,228,962</u>	<u>1,294,752</u>	<u>(65,790)</u>
Total assets	<u>\$1,498,253</u>	<u>\$1,598,590</u>	<u>\$ (100,337)</u>
Current liabilities	\$ 23,246	\$ 21,436	\$ 1,810
Noncurrent liabilities	<u>2,008</u>	<u>1,949</u>	<u>59</u>
Total liabilities	<u>25,254</u>	<u>23,385</u>	<u>1,869</u>
Net assets:			
Invested in capital assets	1,228,962	1,294,752	(65,790)
Unrestricted net assets	<u>244,037</u>	<u>280,453</u>	<u>(36,416)</u>
Total net assets	<u>1,472,999</u>	<u>1,575,205</u>	<u>(102,206)</u>
Total liabilities and net assets	<u>\$1,498,253</u>	<u>\$1,598,590</u>	<u>\$ (100,337)</u>

BRONSON HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
 (CONTINUED)
 June 30, 2006
 =====

Change in Net Assets

The Bronson Housing Commission experienced a decrease in net assets of \$102,206 in 2006 as compared to 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 95,164	\$ 92,979	\$ 2,185
Nondwelling rent	8,069	7,161	908
Total operating revenues	<u>103,233</u>	<u>100,140</u>	<u>3,093</u>
Operating expenses:			
Administration	116,931	111,376	5,555
Tenant services	345	508	(163)
Utilities	41,840	39,430	2,410
Ordinary maintenance and operation	65,198	57,354	7,844
General expenses	18,384	21,893	(3,509)
Extraordinary maintenance		1,400	(1,400)
Depreciation	<u>144,977</u>	<u>146,704</u>	<u>(1,727)</u>
Total operating expenses	<u>387,675</u>	<u>378,665</u>	<u>9,010</u>
Operating income(loss)	<u>(284,442)</u>	<u>(278,525)</u>	<u>(5,917)</u>
Non-operating revenue:			
Interest income	9,174	3,993	5,181
Other income	1,940	1,450	490
Operating grants	<u>171,122</u>	<u>180,418</u>	<u>(9,296)</u>
Total nonoperating revenue	<u>182,236</u>	<u>185,861</u>	<u>(3,625)</u>
Change in Net Assets	<u><u>\$ (102,206)</u></u>	<u><u>\$ (92,664)</u></u>	<u><u>\$ (9,542)</u></u>

Overall revenues decreased from \$286,001.04 in 2005 to \$285,469.12 in 2006. This is as a result of decreased federal funding in capital fund program monies as illustrated as follows:

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
* Capital fund revenues	<u>\$ 71,424</u>	<u>\$ 86,807</u>	<u>\$ (15,383)</u>

BRONSON HOUSING COMMISSION
MANAGEMENT'S DISCUSSION & ANALYSIS (MD & A)
(CONTINUED)
June 30, 2006
=====

Future Factors Effecting BHC Finances

At the time of the audit, the Bronson Housing Commission was planning for another reduction in federal funding for the 2007 fiscal year in both the Public Housing Operating Fund and Capital Fund. Due to appropriate planning, acceptable reserves and flexible staff we expect to be able to continue to provide most services in 2007.

Contacting the Bronson Housing Commission

This financial report is designed to provide our customers, taxpayers and other interested parties with a general overview of the finances of the Bronson Housing Commission and to demonstrate the Housing Commissions accountability for the funding it receives. If you have any questions about this report or need additional information, contact the BHC at 318 S. Ruggles street, P.O. Box 33, Bronson, Michigan 49028.

Submitted by:

Sherry A. Losinski
Executive Director

FINANCIAL STATEMENTS

BRONSON HOUSING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2006
=====

ASSETS

Current Assets:	
Cash	\$ 216,137
Accounts receivable-miscellaneous	526
Accounts receivable-dwelling rents	1,312
Allowance for doubtful accounts	(1,279)
Accrued interest receivable	550
Investments-unrestricted	24,500
Prepaid expenses	10,278
Inventories	<u>17,267</u>
Total Current Assets	<u>269,291</u>
Capital Assets:	
Land	10,116
Buildings	2,814,217
Equipment	69,753
Building improvements	<u>750,889</u>
	3,644,975
Less: accumulated depreciation	<u>(2,416,013)</u>
Net Capital Assets	<u>1,228,962</u>
Total Assets	<u>\$ 1,498,253</u>

See notes to financial statements

BRONSON HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2006
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 8,219
Tenant security deposit liability	7,490
Accrued expenses	5,160
Deferred revenues	<u>2,377</u>
Total Current Liabilities	23,246
Noncurrent Liabilities:	
Accrued compensated absences	<u>2,008</u>
Total Liabilities	<u>25,254</u>
Net Assets:	
Invested in capital assets	1,228,962
Unrestricted net assets	<u>244,037</u>
Total Net Assets	<u>1,472,999</u>
Total Liabilities and Net Assets	<u>\$1,498,253</u>

See notes to financial statements

BRONSON HOUSING COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006
=====

OPERATING REVENUES:

Dwelling rent	\$ 95,164
Nondwelling rent	<u>8,069</u>

Total operating revenues	<u>103,233</u>
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OPERATING EXPENSES:

Administration	116,931
Tenant services	345
Utilities	41,840
Ordinary maintenance and operation	65,198
General expenses	18,384
Depreciation	<u>144,977</u>

Total operating expenses	<u>387,675</u>
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Operating income(loss)	<u>(284,442)</u>
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NONOPERATING REVENUES:

Investment interest income	9,174
Other income	1,940
Operating grants	<u>171,122</u>

Total nonoperating revenues	<u>182,236</u>
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Change in net assets	(102,206)
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Net assets, beginning	<u>1,575,205</u>
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Net assets, ending	<u>\$ 1,472,999</u>
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See notes to financial statements

BRONSON HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2006
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 98,990
Cash payments to other suppliers of goods and services	(106,990)
Cash payments to employees for services	(123,601)
Cash payments for in lieu of taxes	<u>(4,587)</u>
Net cash (used) by operating activities	<u>(136,188)</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES:

Tenant security deposits	(621)
Operating grants	171,122
Other revenue	<u>11,873</u>
Net cash provided by noncapital financing activities	<u>182,374</u>

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES:

Payments for capital acquisitions	<u>(79,187)</u>
Net cash (used) by capital and related financing activities	<u>(79,187)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Receipts of interest and dividends	<u>8,774</u>
Net cash provided by investing activities	<u>8,774</u>

Net increase(decrease) in cash (24,227)

Cash, beginning 240,364

Cash, ending \$ 216,137

BRONSON HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2006
=====

RECONCILIATION OF CASH AND CASH
EQUIVALENTS PER STATEMENT OF CASH
FLOWS TO THE BALANCE SHEET:

Cash	\$ 216,137
Restricted cash	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 216,137</u>

SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:

Operating income(loss)	\$(292,511)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	144,977
Bad debt allowance	(1,357)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	2,984
Prepaid expenses	6,289
Inventories	940
Increase (decrease) in liabilities:	
Accounts payable	411
Accrued wages/payroll taxes	418
Accrued compensated absences	849
Accrued payments in lieu of taxes	(30)
Deferred revenues	<u>842</u>
Net cash (used) by operating activities	<u>\$(136,188)</u>

See notes to financial statements

BRONSON HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bronson Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

Bronson Housing Commission is a component unit of the City of Bronson. The Housing Commission is a Public Housing Agency created by the City of Bronson on June 20, 1950, consisting of a five member board appointed by the City of Bronson and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Bronson Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3025, the Housing Commission constructed, maintains and operates 50 units of subsidized housing in the City of Bronson, Michigan.

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Activities and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic

resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the statement of net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net assets components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Bronson Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other programs" and "due to other programs" on the statement of net assets.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$25 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Furniture, equipment and machinery	5 - 10 years
Building improvements	10 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre FY 2001 and post FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services. Amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested in capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave. A terminated employee shall receive pay for unused accrued vacation leave, based on their length of employment before the last workday. In the event of death of an employee, accrued vacation will be paid the employee's estate.

- * Sick leave. Unused sick leave credit shall be paid upon the retirement or proper resignation of the employee at a rate of one-half the accumulated days, based upon the previous January 1st hourly rate up to a maximum payment equivalent to 65 work days pay.
- * Personal leave. Each regular full time employee is entitled to use three (3) days of leave each calendar year for personal reasons. There is no carryover of these days.

The amount of accumulated benefits at June 30, 2006, was \$5,513, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK

The Housing Commission maintains cash and investment accounts in the Low Rent Program.

Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$215,937 and the bank balance was \$223,769 of which \$200,000 was covered by federal depository insurance. The Housing Commission has \$200 in a cash fund.

Investments

The Housing Commission had the following investments in certificates of deposit as June 30, 2006:

National City	(CD #505070981-0)	\$ 1,000
National City	(CD #50571815-0)	1,500
National City	(CD #50579682-0)	1,500
National City	(CD #267520874)	10,500
National City	(CD #05-0018128-2)	<u>10,000</u>
		<u>\$ 24,500</u>

Interest Rate Risk - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- | | | |
|-------------------------------------|---|----------|
| 1. U.S. Treasury Notes | - | 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - | 75% and |
| 3. Mortgage Backed Securities | - | 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the statement of net assets is as follows:

Cash on hand	\$ 200
Carrying amount of deposits	215,937
Investments	<u>24,500</u>
Total	<u>\$ 240,637</u>

Cash and cash equivalents:	
Enterprise activities	\$ 248,469
Enterprise activities - deposit in transit	-0-
Enterprise activities - checks written in excess of deposits	<u>(7,832)</u>
Total	<u>\$ 240,637</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At June 30, 2006, the receivables were \$1,312 with \$1,279 estimated as uncollectible. Bad debt expense was \$2,088.

Accounts Receivables/Payables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. There were no due or payable to HUD as of June 30, 2006.

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs". There were no amounts due or from the Capital Fund Program to the Low Rent Program as of June 30, 2006.

Individual fund operating transfers during the fiscal year are as follows:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Low Rent Program	Capital Fund Program	<u>\$ 71,424</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance</u> <u>06/30/05</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>06/30/06</u>
Low Rent Program			
Land	\$ 10,116	\$	\$ 10,116
Buildings	2,767,651	46,566	2,814,217
Furniture, equip. & machinery - dwellings	30,843	366	31,209
Furniture, equip. & machinery - administration	38,544		38,544
Building improvements	<u>718,634</u>	<u>32,255</u>	<u>750,889</u>
	3,565,788	<u>\$ 79,187</u>	<u>\$ 3,644,975</u>
Less accumulated depreciation	<u>(2,271,036)</u>	<u>\$ (144,977)</u>	<u>(2,416,013)</u>
Total	<u>\$1,294,752</u>		<u>\$1,228,962</u>
Combined Totals			<u>\$1,228,962</u>

NOTE 5: INVESTED IN CAPITAL ASSETS

The following is a summary of the activity in the Invested in Capital Assets account:

	<u>Invested in</u> <u>Capital Assets</u>
Balance, beginning	\$ 1,294,752
Investment in fixed assets, net of depreciation paid for from operations net of depreciation.	<u>(65,790)</u>
Balance, ending	<u>\$ 1,228,962</u>

NOTE 6: OTHER INFORMATION**A. Pension Plan**

The Housing Commission participates in a Simplified Employee Pension-Individual Retirement Accounts Contribution Agreement (SEP). The Housing Commission contributes 6% of each employees wages each fiscal year. During the fiscal year ending June 30, 2006, the Housing Commission contributed \$5,211.

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

NOTE 7: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Housing Commission maintains one Enterprise Fund that includes two separate programs which provide housing assistance and grant programs. Segment information for the year ended June 30, 2006, was as follows:

	Low Rent Program	Capital Fund Program
Condensed Statement of Net Assets		
Current assets	\$ 269,291	\$
Capital assets	1,228,962	
Total assets	<u>\$ 1,498,253</u>	<u>\$</u>
Current liabilities	\$ 23,246	\$
Noncurrent liabilities	2,008	
Total liabilities	<u>25,254</u>	<u></u>
Net assets:		
Invested in capital assets	1,228,962	
Unrestricted net assets	244,037	
Total net assets	<u>1,472,999</u>	<u></u>
Total liabilities and net assets	<u>\$ 1,498,253</u>	<u>\$</u>

	Low Rent Program	Capital Fund Program
Condensed Statement of Activities		
Dwelling rent	\$ 95,164	\$
Nondwelling rent	8,069	
Depreciation	(144,977)	
Other operating expenses	(242,698)	
Operating(loss)	(284,442)	
Nonoperating revenues:		
Investment interest income	9,174	
Other income	1,940	
Operating transfers in (out)	71,424	(71,424)
Operating grants	99,698	71,424
Change in net assets	(102,206)	
Beginning net assets	1,575,205	
Ending net assets	<u>\$ 1,472,999</u>	<u>\$</u>

Condensed Statement of Cash Flows		
Net cash provided(used) by:		
Operating activities	\$(136,188)	\$
Noncapital financing activities	182,374	
Capital and related financing activities	(79,187)	
Investing activities	8,774	
Net increase(decrease)	(24,227)	
Beginning cash and cash equivalents	240,364	
Ending cash and cash equivalents	<u>\$ 216,137</u>	<u>\$</u>

SUPPLEMENTARY INFORMATION

BRONSON HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
June 30, 2006
=====

C-3025	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

ASSETS

Current assets:

Cash	\$ 216,137	\$
Accounts receivable-miscellaneous	526	
Accounts receivable-dwelling rents	1,312	
Allowance for doubtful accounts	(1,279)	
Accrued interest receivable	550	
Investments-unrestricted	24,500	
Prepaid expenses	10,278	
Inventories	<u>17,267</u>	
Total current assets	<u>269,291</u>	

Capital assets:

Land	10,116	
Buildings	2,814,217	
Equipment	69,753	
Building improvements	<u>750,889</u>	
	3,644,975	
Less accumulated depreciation	<u>(2,416,013)</u>	
Net capital assets	<u>1,228,962</u>	
Total Assets	<u>\$1,498,253</u>	<u>\$</u>

Totals

\$ 216,137
526
1,312
(1,279)
550
24,500
10,278
17,267

269,291

10,116
2,814,217
69,753
750,889
3,644,975
(2,416,013)

1,228,962

\$ 1,498,253

BRONSON HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2006

=====

C-3025	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

LIABILITIES and NET ASSETS

Current liabilities:

Accounts payable	\$ 8,219	\$
Tenant security deposit liability	7,490	
Accrued expenses	5,160	
Deferred revenues	<u>2,377</u>	<u> </u>
Total current liabilities	23,246	

Noncurrent liabilities:

Accrued compensated absences	<u>2,008</u>	<u> </u>
Total liabilities	<u>25,254</u>	<u> </u>

Net assets:

Invested in capital assets	1,228,962	
Unrestricted net assets	<u>244,037</u>	<u> </u>
Total net assets	<u>1,472,999</u>	<u> </u>
Total Liabilities and Net Assets	<u>\$1,498,253</u>	<u>\$ </u>

Totals

\$ 8,219
7,490
5,160
2,377

23,246

2,008

25,254

1,228,962
244,037

1,472,999

\$ 1,498,253

BRONSON HOUSING COMMISSION
COMBINING STATEMENT OF ACTIVITIES
 Year Ended June 30, 2006
 =====

	C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 95,164	\$
Nondwelling rent	<u>8,069</u>	<u> </u>
Total operating revenues	<u>103,233</u>	<u> </u>
OPERATING EXPENSES:		
Administration	116,931	
Tenant services	345	
Utilities	41,840	
Ordinary maintenance and operation	65,198	
General expenses	18,384	
Depreciation	<u>144,977</u>	<u> </u>
Total operating expenses	<u>387,675</u>	<u> </u>
Operating income(loss)	<u>(284,442)</u>	<u> </u>
NONOPERATING REVENUES AND (EXPENSES):		
Investment interest income	9,174	
Other income	1,940	
Operating grants	99,698	71,424
Operating transfers in (out)	<u>71,424</u>	<u>(71,424)</u>
Total nonoperating revenues (expenses)	<u>182,236</u>	<u> </u>
Change in net assets	<u>(102,206)</u>	
Net assets, beginning	<u>1,575,205</u>	<u> </u>
Net assets, ending	<u><u>\$1,472,999</u></u>	<u><u>\$</u></u>

Totals

\$ 95,164
8,069

103,233

116,931
345
41,840
65,198
18,384
144,977

387,675

(284,442)

9,174
1,940
171,122

182,236

(102,206)

1,575,205

\$1,472,999

BRONSON HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended June 30, 2006

=====

	C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 98,990	\$
Cash payments to other suppliers of goods and services	(106,990)	
Cash payments to employees for services	(123,601)	
Cash payments for in lieu of taxes	<u>(4,587)</u>	
Net cash (used) by operating activities	<u>(136,188)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	(621)	
Operating grants	99,698	71,424
Operating transfers in (out)	71,424	(71,424)
Other revenue	<u>11,873</u>	
Net cash provided by noncapital financing activities	<u>182,374</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for capital acquisitions	<u>(79,187)</u>	
Net cash (used) by capital and related financing activities	<u>(79,187)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest and dividends	<u>8,774</u>	
Net cash provided by investing activities	<u>8,774</u>	
Net increase(decrease) in cash	(24,227)	
Cash, beginning	<u>240,364</u>	
Cash, ending	<u>\$ 216,137</u>	<u>\$</u>

Totals

\$ 98,990

(106,990)

(123,601)

(4,587)

(136,188)

(621)

171,122

11,873

182,374

(79,187)

(79,187)

8,774

8,774

(24,227)

240,364

\$ 216,137

BRONSON HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2006
=====

C-3025	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
EQUIVALENTS PER STATEMENT OF
CASH FLOWS TO THE BALANCE SHEET:**

Cash	\$ 216,137	\$
Restricted cash	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 216,137</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:**

Operating income(loss)	\$ (292,511)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	144,977	
Bad debt allowance	(1,357)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	2,984	
Prepaid expenses	6,289	
Inventories	940	
Increase (decrease) in liabilities:		
Accounts payable	411	
Accrued wages/payroll taxes	418	
Accrued compensated absences	849	
Accrued payments in lieu of taxes	(30)	
Deferred revenues	<u>842</u>	
Net cash (used) by operating activities	<u>\$ (136,188)</u>	<u>\$</u>

Totals

\$ 216,137

\$ 216,137

\$ (292,511)

144,977
(1,357)

2,984
6,289
940

411
418
849

(30)
842

\$ (136,188)

BRONSON HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended June 30, 2006

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2006	Low Rent Public Housing	14.850	\$ 99,698
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2006	Capital Fund Program	14.872	<u>71,424</u>
	Total		<u>\$ 171,122</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the
accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

BRONSON HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2006

=====

FDS Line Item No.		C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 208,083	\$
114	Cash-tenant security deposits	<u>8,054</u>	
100	Total cash	<u>216,137</u>	
	Receivables:		
125	A/R-miscellaneous	526	
126	A/R-tenants-dwelling rents	1,312	
126.1	Allowance for doubtful accounts	(1,279)	
129	Accrued interest receivable	<u>550</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>1,109</u>	
	Other Current Assets:		
131	Investments-unrestricted	24,500	
142	Prepaid expenses and other assets	10,278	
143	Inventories	<u>17,267</u>	
	Total other current assets	<u>52,045</u>	
150	Total current assets	<u>269,291</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	10,116	
162	Buildings	2,814,217	
163	Furn, equip & mach-dwellings	31,209	
164	Furn, equip & mach-admin.	38,544	
165	Building improvements	750,889	
166	Accumulated depreciation	<u>(2,416,013)</u>	
160	Total fixed assets, net of accumulated depreciation	<u>1,228,962</u>	
180	Total noncurrent assets	<u>1,228,962</u>	
190	Total Assets	<u>\$1,498,253</u>	<u>\$</u>

Totals

\$ 208,083
8,054

216,137

526
1,312
(1,279)
550

1,109

24,500

10,278
17,267

52,045

269,291

10,116
2,814,217
31,209
38,544
750,889
(2,416,013)

1,228,962

1,228,962

\$ 1,498,253

BRONSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2006
 =====

FDS Line Item No.		C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES AND EQUITY/NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 3,662	\$
321	Accrued wage/payroll taxes payable	1,655	
322	Accrued compensated absences-current portion	3,505	
333	Accounts payable-other government	4,557	
341	Tenant security deposits	7,490	
342	Deferred revenues	<u>2,377</u>	
310	Total current liabilities	23,246	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>2,008</u>	
300	Total liabilities	<u>25,254</u>	
	Equity:		
508.1	Invested in capital assets	<u>1,228,962</u>	
508	Total equity	1,228,962	
	Net Assets:		
512.1	Unrestricted net assets	<u>244,037</u>	
513	Total net assets	<u>1,472,999</u>	
600	Total Liabilities and Equity/Net Assets	<u>\$1,498,253</u>	<u>\$</u>

Totals

\$ 3,662

1,655

3,505

4,557

7,490

2,377

23,246

2,008

25,254

1,228,962

1,228,962

244,037

1,472,999

\$1,498,253

BRONSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended June 30, 2006
=====

FDS Line Item No.		C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 95,164	\$
704	Tenant revenue-other	<u>8,069</u>	
705	Total tenant revenue	103,233	
706	HUD PHA grants	99,698	71,424
711	Investment income-unrestricted	9,174	
715	Other revenue	<u>1,940</u>	
700	Total revenue	<u>214,045</u>	<u>71,424</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	56,110	
912	Auditing fees	2,400	
914	Compensated absences	849	
915	Employee benefit contributions-adm.	31,434	
916	Other operating-administrative	26,138	
	Tenant Services:		
924	Tenant services-other	345	
	Utilities:		
931	Water	17,380	
932	Electricity	4,539	
933	Gas	19,546	
938	Other utilities expense	375	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	30,732	
942	Ordinary maint & oper-mat'ls & other	10,117	
943	Ordinary maint & oper-contract costs	17,757	
945	Employee benefit contributions- ordinary maintenance	6,592	
	General expenses:		
961	Insurance premiums	11,739	
963	Payments in lieu of taxes	4,557	
964	Bad debt-tenant rents	<u>2,088</u>	
969	Total operating expenses	<u>242,698</u>	
970	Excess operating revenue over operating expenses	<u>(28,653)</u>	<u>71,424</u>

<u>Totals</u>	
\$	95,164
	<u>8,069</u>
	103,233
	171,122
	9,174
	<u>1,940</u>
	<u>285,469</u>

56,110
2,400
849
31,434
26,138

345

17,380
4,539
19,546
375

30,732
10,117
17,757

6,592

11,739
4,557
<u>2,088</u>

242,698

42,771

BRONSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended June 30, 2006
=====

FDS Line Item No.		C-3025 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
974	Depreciation expense	<u>144,977</u>	<u> </u>
	Total other expenses	<u>144,977</u>	<u> </u>
900	Total expenses	<u>387,675</u>	<u> </u>
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(173,630)	71,424
	Other Financing Sources(Uses):		
1001	Operating transfers in (out)	<u>71,424</u>	<u>(71,424)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(102,206)	
1103	Beginning Net Assets	<u>1,575,205</u>	<u> </u>
	Ending Net Assets	<u>\$1,472,999</u>	<u>\$ </u>

Totals

144,977

144,977

387,675

(102,206)

(102,206)

1,575,205

\$ 1,472,999

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Traverse City, Michigan 49686

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Bronson Housing Commission
Bronson, Michigan

I have audited the financial statements of the business-type activities of the Bronson Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2006, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated January 17, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that I have reported to management of the Housing Commission in a separate letter dated January 17, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws,

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Bronson Housing Commission
Page Two

Compliance and Other Matters - Continued

regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated January 17, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Lankford, CPA, PC

January 17, 2007

BRONSON HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
JUNE 30, 2006

=====

<u>Line Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			

There were no adjusting journal entries.

BRONSON HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2006

BRONSON HOUSING COMMISSION
CONTENTS
JUNE 30, 2006

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Independent Auditors' Report on Management Advisory Comments	3
Management Advisory Comments	4
Adjusting Journal Entries	5

**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Bronson Housing Commission

I have audited the financial statements of the Bronson Housing Commission ("Housing Commission") as of and for the year ended June 30, 2006, and have issued my report, thereon, dated January 17, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There were no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit, although the former Executive Director took another job before I began the fieldwork. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Sam E. Vandeth, CPA, PC

January 17, 2007

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
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**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Bronson Housing Commission

I have audited the financial statements of the Bronson Housing Commission ("Housing Commission") as of and for the year ended June 30, 2006, and have issued my report, thereon, dated January 17, 2007. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

January 17, 2007

BRONSON HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
June 30, 2006
=====

Cash Collections

Tenants currently can pay their rents by cash, check or money order.

I recommend that the Housing Commission consider not allowing payments by cash. This would provide another internal control in the collection of assets.

Flowers

The Housing Commission has on occasion purchased flowers for the sick or departed.

The Michigan Department of Treasury and the Federal Government considers buying flowers, using Housing Commission funds, to the sick or departed to be an unauthorized expenditure.

Tenant Subsidy

The Housing Commission receives \$25 per tenant as part of its operating subsidy to spend on tenant services, but there was only \$345 spent on tenants according to the general ledger. With 50 tenants, the amount of the subsidy was \$1,250.

I recommend the Housing Commission follow the HUD procedures in how to properly spend the \$25 per tenant subsidy.

BRONSON HOUSING COMMISSION

ADJUSTING JOURNAL ENTRIES

June 30, 2006

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<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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LOW RENT PROGRAM

There are no audit adjusting journal entries.